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ADF Group Inc.

THE SOLUTION TO STRUCTURAL STEEL ENGINEERING MEGAPROJECTS

OPTIMAL STRUCTURAL DESIGN
OSD
SOLUTION

Annual Report
2000-2001

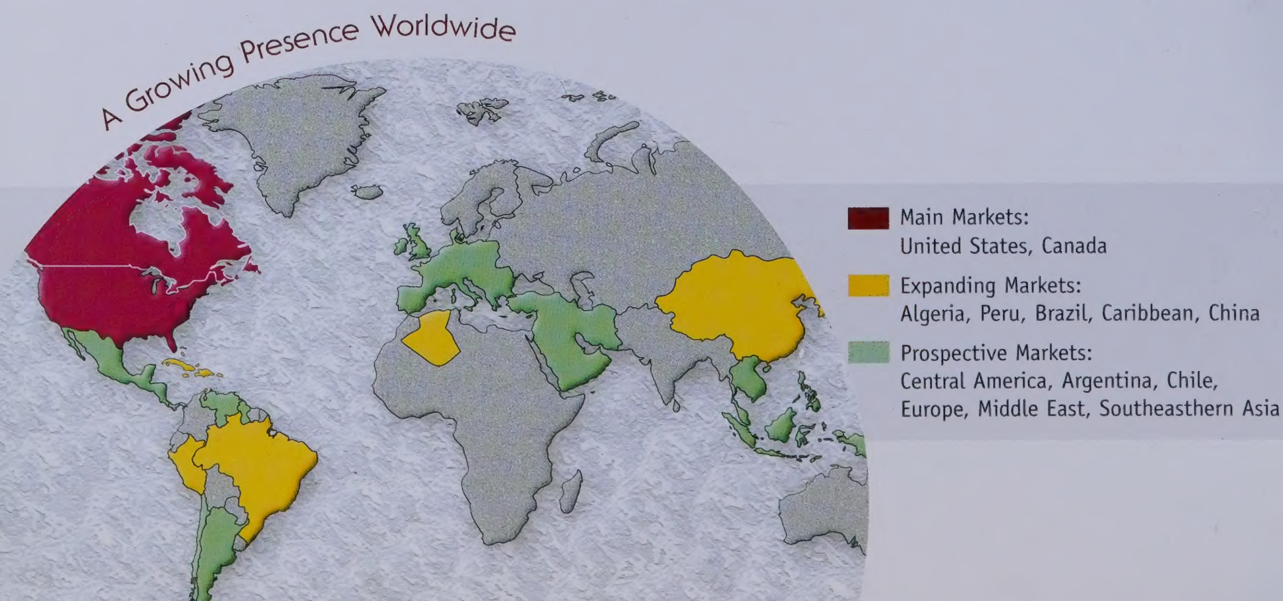
Leader in Structural Steel Megaprojects with High Technology Requirements

Profile

Founded in 1956, **ADF Group Inc. ("ADF" or the "Company")** is a North American leader in the design, engineering, fabrication and turnkey installation of steel superstructures. The Company integrates a wide range of skills and services that enable it to offer clients one-stop value-added solutions at a competitive price. With some 1,400 qualified employees - more than 1,000 working in its three production plants and another 375 on construction sites - ADF stands apart for its ingenious, innovative engineering team, skillful workforce and its unique comprehensive approach to project management. Combined with its important production capacity and use of cutting-edge technologies, these qualities position ADF among the major industry players capable of achieving highly challenging projects in terms of size, technological requirements and fast-track schedules. Its growing presence and reputation in the execution of such projects, which are accessible to few competitors, are the key factors behind ADF's sustained sales growth and higher profitability than the industry average.

Operating primarily in North America, ADF serves a diversified base of clients who include 30 of the 50 largest general contractors and world-class engineering firms. The Company specializes in the following market segments:

- **large-scale commercial and recreational projects** (office towers, hotels, convention centers, government buildings, sports complexes, museums, recreational tourism facilities, etc.);
- **large-scale industrial projects** (power stations, petrochemical complexes, automotive assembly lines, various manufacturing facilities); and
- **large-scale public infrastructures** (airport facilities, aerospace complexes, electrical infrastructures, bridges and overpasses, etc.).



Financial and Stock Market Highlights

(in thousands of $, except for number of shares, per-share amounts, percentages and ratios)

Fiscal years ended January 31

Financial Performance	2001	2000	1999	Growth
Sales	**$334,385**	$218,203	$108,900	75.2%
EBITDA [1]	**$45,723**	$32,410	$21,251	46.7%
Depreciation and amortization	**$4,399**	$3,343	$1,942	50.5%
Interest (net)	**$5,877**	$3,235	$2,624	49.7%
Net earnings	**$24,215**	$15,455	$11,784	43.3%
• per share	**$1.12**	$0.73	$0.56	41.4%
• fully diluted per share	**$1.11**	-	-	40.8%
Net margin	7.2%	7.1%	10.8%	
Cash flow from operations (before changes in non-cash working capital items)	**$29,693**	$21,762	$13,980	45.7%
• per share	**$1.37**	$1.03	$0.67	42.5%
Purchase of capital assets	**$24,192**	$7,563	$22,863	
Business acquisitions (divestitures)	**$(546)**	-	$2,010	
Acquisition (disposal) of other assets	**$(1,971)**	$8,555	-	

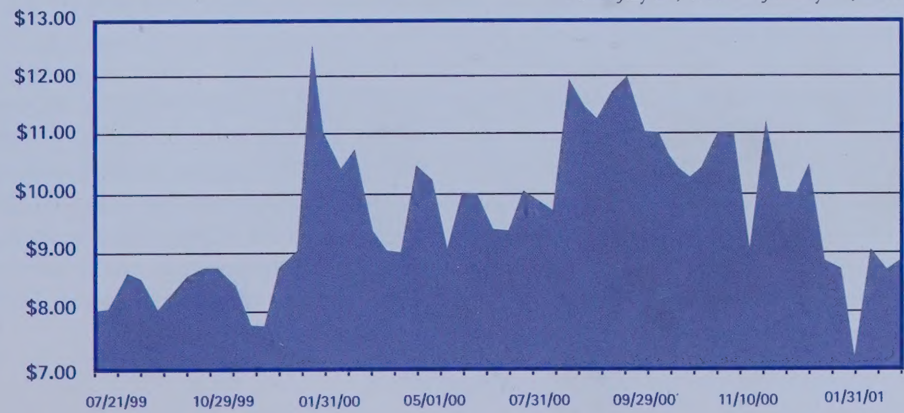
Financial Position	2001	2000	1999	Growth
Total assets	**$298,799**	$173,939	$114,446	61.6%
Working capital	**$114,082**	$62,462	$27,253	104.7%
• current ratio	**2.00:1**	2.06:1	1.58:1	
Shareholders' equity	**$135,815**	$90,755	$43,681	76.3%
Total net indebtedness [2]	**$93,990**	$42,808	$44,701	45.0%
• % of total invested capital [3]	41%	32%	51%	

Information on Share Capital	2001	2000
Number of subordinate voting shares (in thousands)	7,717	7,163
Number of multiple voting shares (in thousands)	14,343	14,343
Number of subordinate voting shares warrants (in thousands)	450	-
Share price:		
- high	**$12.00**	$13.00
- low	**$7.05**	$7.50
- close (as at January 31)	**$8.90**	$10.95
Average monthly trading volume (in thousands)	187,843	11,664
Market capitalization as at January 31	**$196,338**	$235,489

(1) Earnings before depreciation, amortization, interest, income taxes and non-controlling interest
(2) Long-term debt including the current portion, plus bank indebtedness net of available cash
(3) Total net indebtedness divided by the sum of total net indebtedness and shareholders' equity

Stock Market Performance

From July 21, 1999 to January 31, 2001



1956-2001

45 *years of growth and vision have transformed a blacksmith shop into a North American leader in structural steel megaprojects.*

1956
Inception of Au Dragon Forgé Inc., a workshop specializing in complex wrought-iron work for the Quebec residential market

1979
Incorporation of ADF Group Inc.

1980
Arrival of today's senior management

Refocus on the production of structural steel for the non-residential sector

Beginning of geographical markets diversification

1992-1994
Opening of a sales office and plant in Florida

1995
Launch of vertical integration strategy through the acquisition of complementary businesses and expertise

1997
Construction of an ultramodern industrial complex in Terrebonne, Quebec, equipped with sophisticated design/fabrication software and fully automated production lines

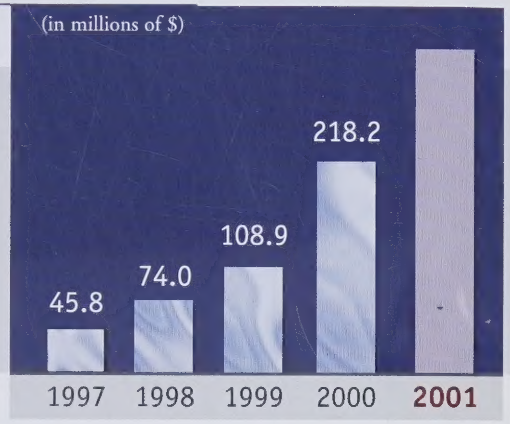
1998
Acquisition of a 51% interest in a large-scale fabrication complex in Lachine, Quebec

1999-2000
$30 million Initial Public Offering

100% sales growth

Important breakthrough into new target markets such as high-rise buildings and airport facilities, primarily in the United States

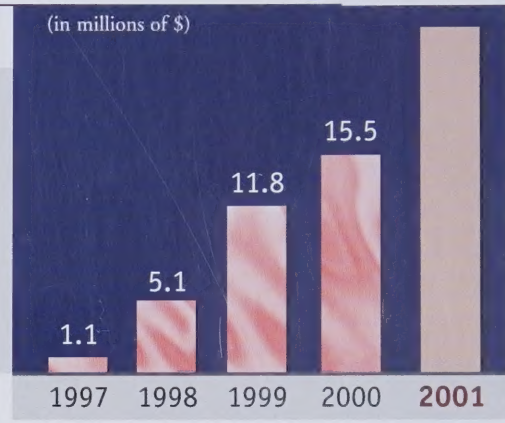
Sales **334.4**



Compound Annual Growth of Sales

64%

Net Earnings **24.2**



Compound Annual Growth of Net Earnings

118%

2000-2001 Achievements

ADF met or exceeded all of its business, operational and financial objectives.

- 53% sales growth, to $334.4 million
- 57% net earnings growth: new record of $24.2 million
- Major breakthrough in New York: $290 million in contracts, including three high-rise buildings
- Strong growth in airport infrastructures: three contracts worth a total of $69 million
- Successful penetration of industrial market with $34 million in contracts
- ADF confirms its leadership in the execution of extremely complex projects, notably in Detroit (Lions' Stadium) and Pittsburgh (David Lawrence Convention Center)
- $24.2 million investments to expand the Terrebonne plant's operational and technological infrastructure, increasing its production capacity by 33%
- Strengthening of balance sheet through new financing arrangements

2001-2002 Objectives

Grow Revenues by Some 30% Internally and Maintain High Profit Margins

- Intensify our leadership in growth markets, targeting fast-track complex projects yielding high profit margins
- Strengthen our positioning in Eastern, Midwest and Southern United States
- Through strategic partnerships, extend our presence outside North America, especially in South America
- Optimize our recent investments and productivity
- Seek out acquisition opportunities in the United States

As at January 31, 2001, ADF had a backlog of signed orders totalling Cdn$520 million, and was at various negotiation stages for $1 billion in additional contracts. The Company has also targeted several projects whose potential is estimated at some $4.5 billion for fiscal 2001-2002.

Financial and Stock Market Highlights

(in thousands of $, except for number of shares, per-share amounts, percentages and ratios)

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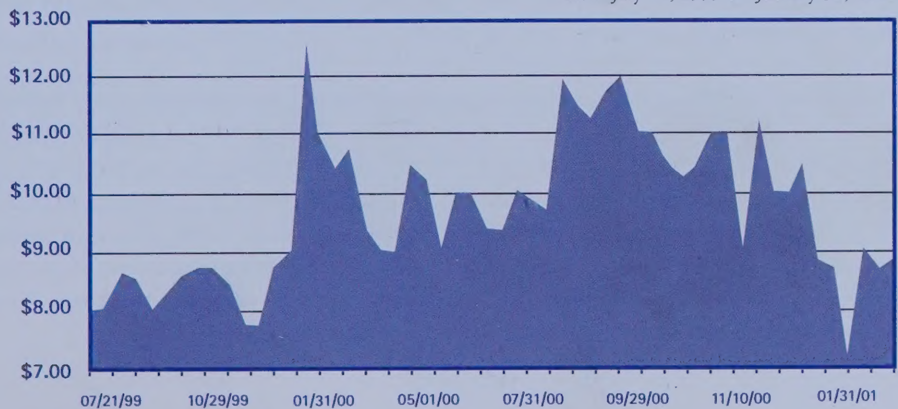


From left to right: Pierre Paschini, Marise Paschini and Jean Paschini

Message to Shareholders

Besides an excellent financial year, 2000-2001 was a period of intense development of our markets, operational infrastructure, technological platform and workforce.

Confirming our North American leadership, last year we not only garnered the largest contracts ever carried out by the ADF Group, such as the Columbus Center in New York, but also the most ambitious projects based on unprecedented concepts, including the Lions' stadium roof in Detroit and the David Lawrence Convention Center in Pittsburgh.

Keeping pace with the previous year, we greatly enhanced our presence in our various target markets, especially in the United States. As a result, our revenues rose 53% to $334.4 million, thereby surpassing the objective we had set at the beginning of the year. We wish to emphasize that in the fourth quarter alone, sales totalled $113.2 million which is more than during the entire 1999 fiscal year. Among other things, the investments made in late fiscal 2000 to establish ADF in New York City yielded $290 million in contracts, including three high-rise buildings. We also had a very good year in the public infrastructures sector, particularly in the area of airport facilities expansion and modernization, having obtained such contracts in Miami, New York and Toronto. For its part, our new Industrial Division contributed orders of over $30 million.

To keep up with the strong growth in our business and position the Company even more solidly for mega-projects, we completed a $24.2 million capital expenditure program, mostly at our Terrebonne industrial complex where we literally doubled the floor space. Besides building a new fabrication bay, we expanded our steel storing facilities to gain better control over our supply costs. We also invested in the purchase of cutting-edge equipment and the upgrading of our information systems. All told, this program has increased our fabrication capacity by 33% while enhancing ADF Group's technological edge.

It goes without saying that the major work performed in Terrebonne throughout the year brought some challenges to our production teams, which they met with great success as borne out by ADF's outstanding profitability: in the last fiscal year, our net earnings rose 57% to an all-time high of $24.2 million or $1.12 per share, even with the non-recurring costs brought about by the expansion program. Besides the quality of the projects we choose to work on, this performance is the result of a tremendous team work by ADF's personnel, to whom we wish to express our warmest gratitude.

Over the past year, we also invested considerably in our most strategic assets: our human resources. In addition to hiring and training some 260 new plant and office employees, we strengthened our engineering team by recruiting several high-calibre professionals, thereby further enhancing our ability to carry out the most demanding and complex projects. It should be said that conversely, ADF Group's achievements and growing reputation in such projects help us attract the industry's most highly skilled and dynamic candidates, who are eager to take on new challenges.

Even more than our considerable material and technological resources, that is the key to ADF's success: the ingenuity, talent, commitment and discipline of hundreds of people sharing a vision and working in synergy to deliver the most efficient and innovative solutions, always on schedule and at the lowest possible cost. Such team work has enabled us to develop an integrated project management approach that is unique in the industry, through which we can overlap different phases of a project in order to shorten its execution cycle. Over the past year, we added a new dimension to our services by creating the OSD (Optimal Structural Design) solution which allows us, even before a project is awarded, to present customers with alternatives aimed at saving costs and reducing the timeframe. The ADF approach represents a definite competitive edge considering the growing demand for fast-track megaprojects, where quality and reliability are just as important as price in the selection process, if not more so. We have proven so in the past years, as shown by the long-term relationships we have forged with most of our clients, providing the ADF Group with a solid base for growth and profitability.

Acknowledging the Work of an Entire Team

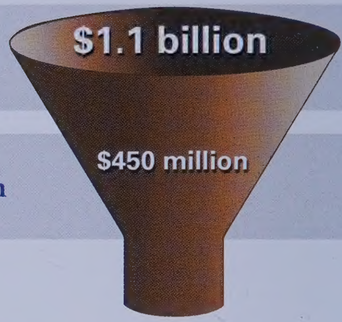
Over the past five years, ADF Group was honored with 12 business excellence awards for its leadership, the quality of its achievements, its role as an engine of the economy, its dynamism on export markets and its management. Again last year, we earned the Canada Export Award bestowed by the Department of Foreign Affairs and International Trade, along with the award for job creation presented by AMEQ/CME.

ADF's future looks promising, over both the short and longer term. For fiscal 2002 – which will mark the Company's 45th anniversary – we are aiming for internal growth of approximately 30% in revenues. We believe this to be a realistic objective since our backlog of firm orders totalled some $520 million as at January 31, 2001, with contracts extending over an average period of about 14 months. More than 40% of these orders are from clients with whom ADF has already done business in the past. Furthermore, we are currently at different stages of negotiation for a total of $1 billion in additional contracts, and have targeted potential projects of $4.5 billion. We also hope to complete an acquisition in the United States that would give us a stronger foothold to accelerate our growth in our target markets. The pursuit of our various growth projects will be facilitated by the financing arrangements totalling $70 million recently concluded with the Fonds de solidarité FTQ and SGF Mineral Inc., a subsidiary of the Société générale de financement du Québec, whom we would like to thank for this sign of trust.

Fiscal Year 1999-2000

Value of Targeted Projects
(as at January 31)

Value of Projects Under Negotiation
(as at January 31)



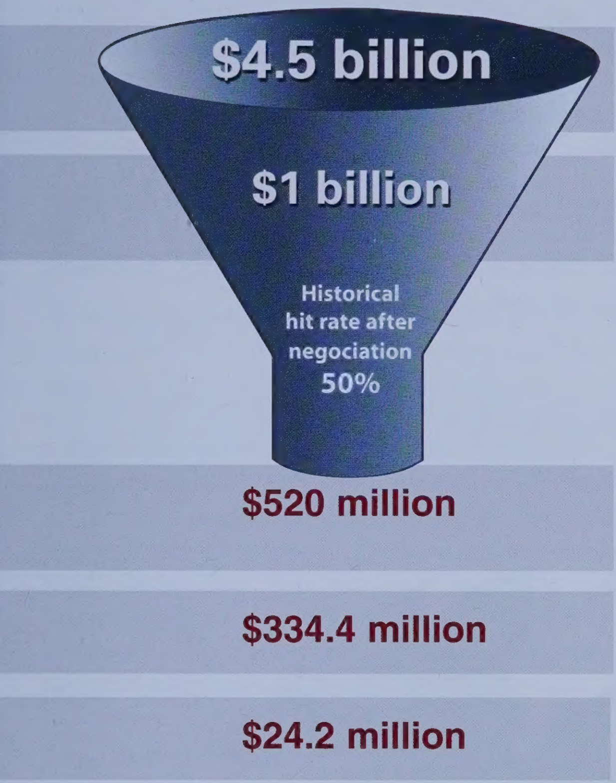
Value of Firm Orders Book (as at January 31)	$190 million
Sales	$218.2 million
Net Earnings	$15.5 million

Positioned in the Most Dynamic Markets

According to the latest studies published by F.W. Dodge/The McGraw Hill Companies, the non-residential construction industry is expected to continue growing between now and 2005 in most of the sectoral and geographical markets occupied or targeted by the ADF Group, notably along the U.S. East Coast and in the Midwest and Southern states. Brazil, Argentina and Chile also offer excellent opportunities, with a forecast growth rate of over 50% for the next five years.

While further developing our markets in the American Midwest and Northeast, especially New York City, we intend to increase our presence in some Southern states expected to undergo particularly strong growth in the coming years. We will also continue to penetrate the industrial market, especially the energy and petrochemical sectors. Finally, we will seek opportunities to expand into foreign markets such as South America. In this regard, we are currently developing a strategy to join forces with local partners and some of our clients already active in this market, which would enable us to reproduce the business approach that has made our success in North America.

Fiscal Year 2000-2001



Of course, ADF's profitability will remain our core priority in the coming quarters and the next fiscal years. From the start, this year we will no longer have to bear the non-recurring costs related to the major investments of the last fiscal year, the return on which we will strive to rapidly optimize. In fact, we have put into place an infrastructure capable of producing more than $500 million in revenues without any major additional investments.

Above all, we will continue to build ADF's growth and profitability upon the strategy that has made its success so far by positioning the Company at the highest ranks of its industry, where there are fewer competitors. In this regard, in addition to the American Institute of Steel Construction (AISC) accreditation that we already hold for our fabrication operations, we have taken steps to obtain the Certified Advanced Steel Erector certification (CASE). Less than 30 structural steel installation firms in all of North America currently comply with this quality standard, which is increasingly required for mega-projects. ADF would thereby become one of the very few industry players, if not the only one, to combine the two prestigious certifications.

In closing, we wish to once again express our gratitude to ADF's personnel for its fundamental commitment to our Company's growth. We would also like to thank Mr. Pierre Labelle who, after six years of service at ADF, recently left his post as General Counsel and Administrative Vice-President, as well as his seat on our Board of Directors, to pursue other professional interests. We wish him the best of luck in his new endeavours. Finally, we thank all of our external partners – clients, suppliers, Board members and Company shareholders – for their invaluable support in helping us fulfill our vision of ADF's future. We take this opportunity to welcome Marc Filion, President and Chief Operating Officer of our new partner SGF Mineral Inc., to the ADF Group's Board of Directors.

Jean Paschini
Chairman of the Board and Chief Executive Officer

Pierre Paschini
President and Chief Operating Officer

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

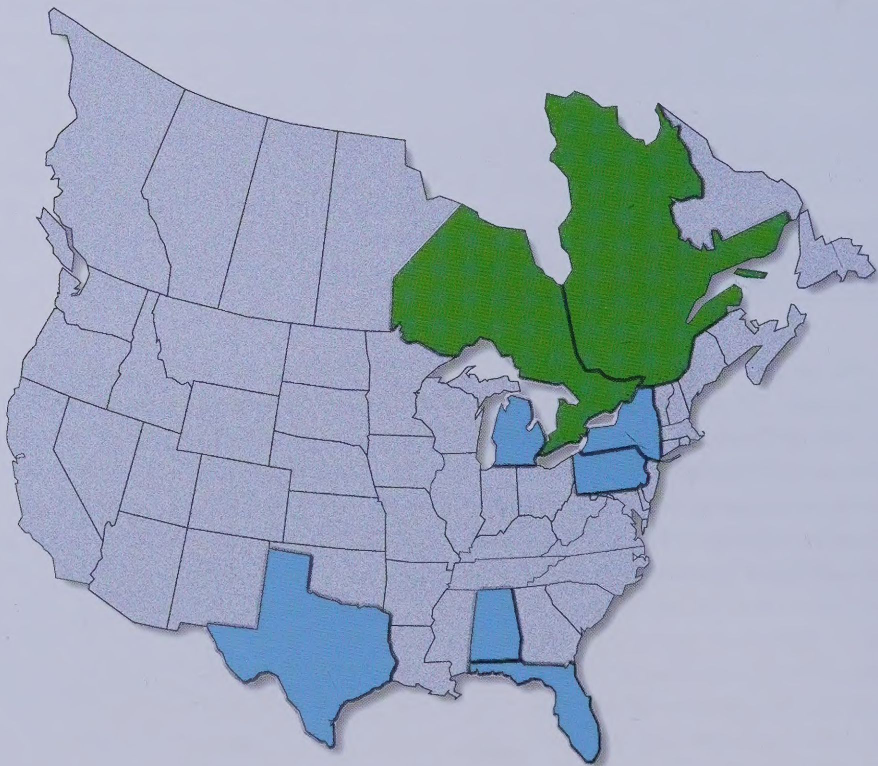
April 2001

Review of Operations

A Growing North American Leader

By the close of fiscal 2000-2001, ADF had more than doubled its order book compared with the same date a year earlier. Besides being subjected to fast-track schedules, most of the contracts obtained during the last fiscal year have in common that they were granted by clients ADF had already done business with in the past, confirming the strategic emphasis we place on developing long-term relations with our customers.

Geographical Distribution of Major Projects Garnered in 2000-2001



In 2000-2001, ADF's strongest growth was in the commercial and recreational market. In addition to being awarded prestigious projects in Detroit, Pittsburgh and Washington, D.C., we achieved major growth in New York. In fact, whereas we had practically no presence there in 1999, we have become a significant player in this market ranking among the most dynamic in North America. Two years after starting to expand into high-rise buildings, the ADF Group has gained recognized expertise in this field, as borne out by the Cdn$109 million megaproject landed in July 2000 for the engineering, fabrication and installation of the steel structure of the future Columbus Center.

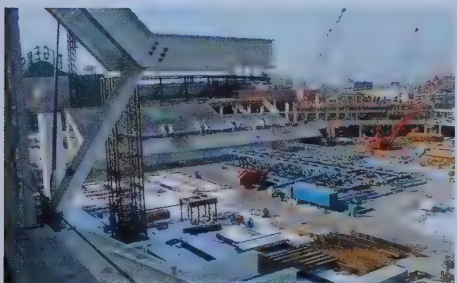
In the public infrastructures market, the upgrading of airport facilities made a significant contribution to our growing backlog. Last year, the ADF Group was awarded contracts worth a total of $69 million to supply and erect the structural steel for new air terminals at Miami International Airport, JFK Airport in New York and Lester B. Pearson International Airport in Toronto. In all three cases, we were selected for our proven ability not only to meet fast-track schedules, but to comply with the particularly complex and restrictive requirements specific to airport facilities, especially with regard to safety. These projects are part of multibillion-dollar programs planned over the next few years to expand and modernize major North American airports, in response to the steady growth in air traffic. ADF's know-how and achievements in this area provide us with a strategic edge in this high-potential market.

As for our Industrial Division, it achieved a promising breakthrough by landing two important contracts in the automotive sector: one for the engineering and fabrication work related to the expansion of the Daimler Chrysler factory in Windsor, Ontario, and the other for the General Motors plant in Shreveport, Louisiana.

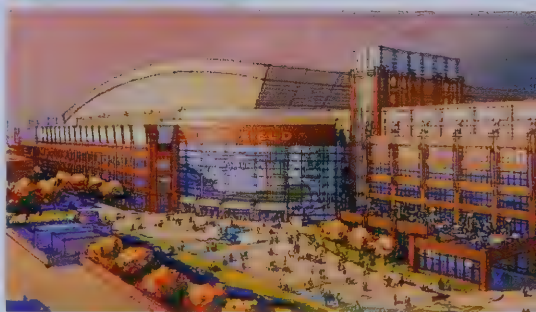
All in all, last year the ADF Group not only consolidated its position in several of the most dynamic sectoral and geographic markets in North America, but also paved the way for its future development. While strengthening our presence in some Southern States such as Florida and Texas, we initiated a development program in South America, for which we benefited from an CIDA subsidy to conduct market analyses and implement our strategic plan. Our approach to this market will be to target the highest-potential segments such as bridges and overpasses, the energy industry and the construction of high-rise buildings.

Over and above the numerous achievements of the past year, the ADF Group enhanced its leadership and reputation in the most ambitious and challenging projects, such as those featuring geometrically complex or extra long trusses, stringent structural resistance requirements, as well as severe environmental or safety restrictions. Here are a few examples.

1 *Roof of the Lions' Stadium in Detroit*

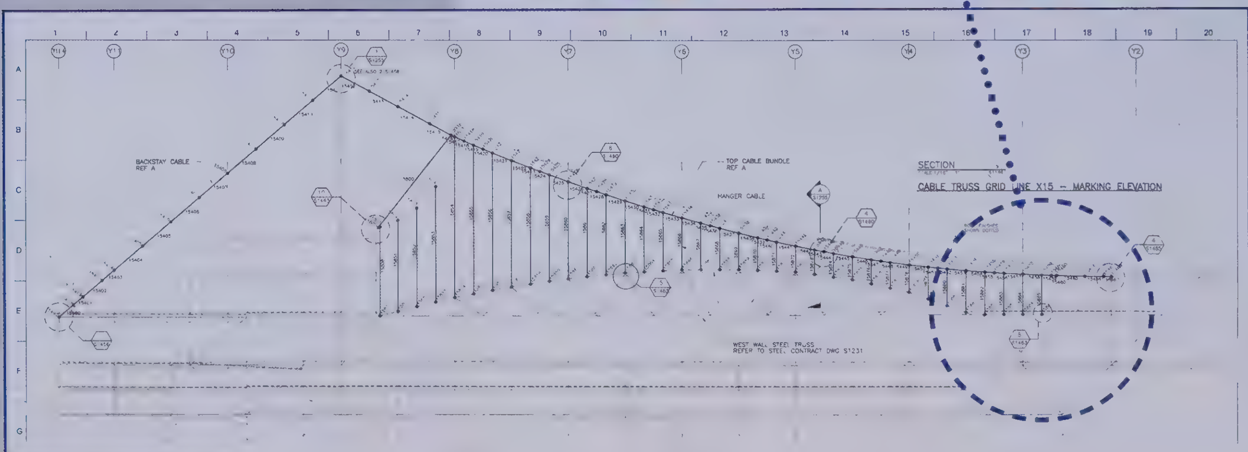


Although this is the third football stadium to be built by the ADF Group, this project is definitely one of our most ambitious ever. Based on an unprecedented structural concept including a highly complex geometry, the roof will span 550 feet, drawing upon ADF's creative engineering and proven know-how in putting together the longest primary trusses. Once the fabrication work has been completed at our Terrebonne plant, requiring 10,500 tons of steel, the dome will be assembled on-site and erected in one piece to be attached to the stadium walls, at a height of about 100 feet.



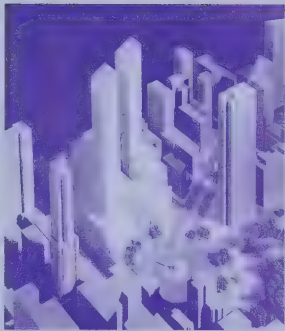
② David Lawrence Convention Center in Pittsburgh

Covering an area of 1.2 million square feet, the future convention center also presents unusual and highly complex architectural features. Its primary steel structure is designed to look like a tall ship, consisting of a bow, a steel column forming the main mast and a structural steel stern. Besides its expertise in engineering and installation services, ADF Group was chosen for the turnkey execution of this 15,300-steel-ton project because of its considerable fabrication capacity, including for heavy-built steel components.



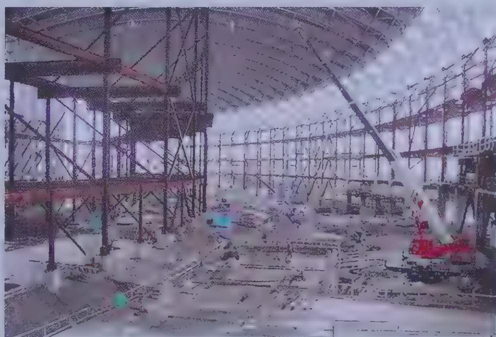
3 *Columbus Center Building in New York*

To give an idea of the scope of this mandate – the largest ever garnered by the ADF Group – its value exceeds our revenues for the entire 1998 fiscal year. The building, to be erected in the heart of New York City, will be one of the most imposing worldwide with its total surface area of 2.8 million square feet.

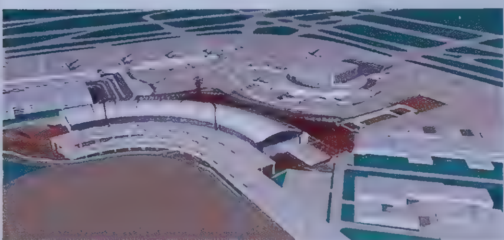


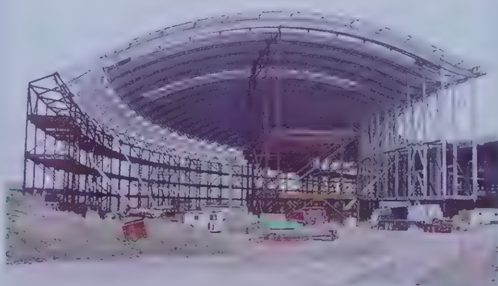
ADF was chosen to engineer, fabricate and install the structural steel for the main complex, as well as 25 of the 55 storeys of the two office towers, all of which will require 23,000 tons of steel. Besides its size, this project is characterized by its great complexity and fast-track schedule.

4 *Lester B. Pearson International Airport in Toronto*



This second contract granted to ADF at Lester B. Pearson International Airport consists in supplying and installing some 9,000 tons of the structural steel for the new air terminal, as part of an extensive infrastructure modernization program valued at several billions of dollars over ten years. Since the project is subject to a fast-track schedule in addition to being very complex, we have to ensure that each component meets the owner's specifications and scrupulously complies with our client's needs and requirements. The installation work on this new section of approximately 200,000 square feet, including a 240-foot-tall control tower, began in March 2001 and will extend over a period of six months.





Review of Operations

Upgrading our Infrastructure

... so our human, physical and technological resources always keep up with our growth

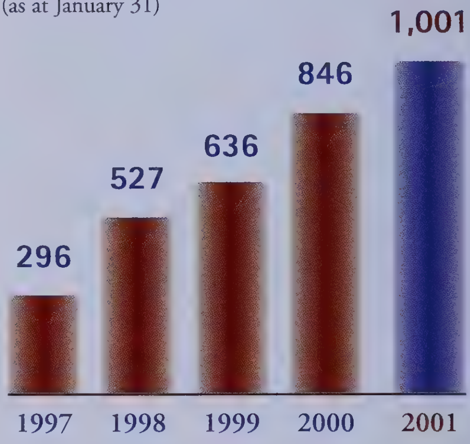
To succeed in achieving such growth and profitability over the past years, the ADF Group has constantly adapted its structures to its vision, strategies and potential, while establishing the **ADF** signature as a synonym of know-how, ingenuity, quality and reliability. Knowing the utmost importance of having a qualified workforce that is committed to our quality and performance objectives, we have made hiring and training strategic functions within the Company. The selection process of new candidates extends beyond skills, focusing just as much on the values of excellence, intrapreneurship and teamwork underlying our corporate culture.

Over the past fiscal year in particular, we hired 260 plant workers (welders, assemblers, overhead travelling crane operators, etc.) and office employees, as well as 24 engineers and drafting specialists among the most experienced in the industry. As at January 31, 2001, the ADF Group had over 1,000 permanent employees, which is three times more than in 1997! Furthermore, we offered our staff over 15,000 hours of training last year. Working in cooperation with major government manpower and training centers, we implemented programs specifically tailored to ADF's needs and covering every area of its operations.

Among other things, in a business as demanding as ours, ADF's success requires that every employee participate in the total quality assurance process. We therefore provide rigorous coaching (including a mentoring program for new recruits), and we promote staff awareness of the importance of ongoing communications and interrelationship between all departments. ADF's compliance with the most prestigious quality certifications is the tangible result.

Workforce Growth

(as at January 31)



Office, plant and drafting department employees (excluding construction site personnel)

ADF Group Inc.

ADF is in a class by itself in the structural steel industry for the magnitude and depth of its expertise.

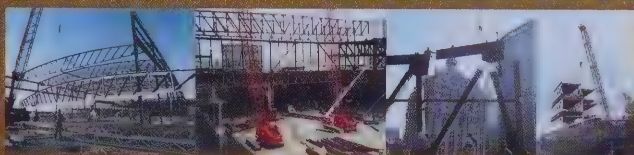
DESIGN
ENGINEERING
DRAFTING AND
FABRICATION

ADF Au Dragon Forgé Inc.

ADF Heavy Industries Inc.

ADF INTERNATIONAL INC.

SALES AND
INSTALLATION
SERVICES



MDI Montage d'acier International Inc.

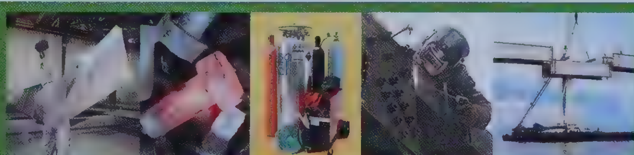
ADF China Inc.

MDI USA Inc.

ADF Steel Corp. CANADA

ADF Steel Corp. USA

SUPPLY
AND SERVICES



DRY-TEC

OTI Outillage Technologique Industriel Inc.

TG TecnoGaz

AMCAN CANADA

LEI Location d'Équipements International Inc.

AMCAN USA

Certified by the most prestigious associations

ISO 9001

QUALITY COMPLEX BUILDINGS & MAJOR BRIDGES AISC CERTIFICATION

QUALITY COMPLEX BUILDINGS AISC CERTIFICATION

CANADIAN CONSTRUCTION ASSOCIATION

CISC

AWS

CWB

Review of Operations

Upgrading our Infrastructure

... so our human, physical and technological resources always keep up with our growth

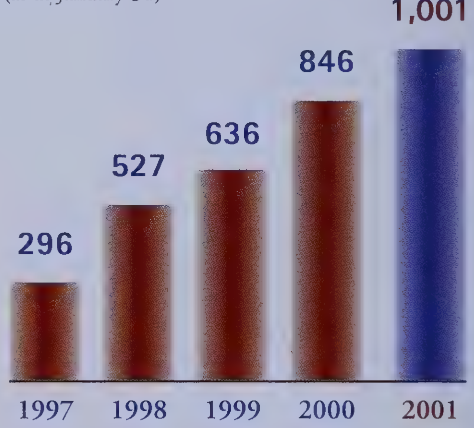
To succeed in achieving such growth and profitability over the past years, the ADF Group has constantly adapted its structures to its vision, strategies and potential, while establishing the **ADF** signature as a synonym of know-how, ingenuity, quality and reliability. Knowing the utmost importance of having a qualified workforce that is committed to our quality and performance objectives, we have made hiring and training strategic functions within the Company. The selection process of new candidates extends beyond skills, focusing just as much on the values of excellence, intrapreneurship and teamwork underlying our corporate culture.

Over the past fiscal year in particular, we hired 260 plant workers (welders, assemblers, overhead travelling crane operators, etc.) and office employees, as well as 24 engineers and drafting specialists among the most experienced in the industry. As at January 31, 2001, the ADF Group had over 1,000 permanent employees, which is three times more than in 1997! Furthermore, we offered our staff over 15,000 hours of training last year. Working in cooperation with major government manpower and training centers, we implemented programs specifically tailored to ADF's needs and covering every area of its operations.

Among other things, in a business as demanding as ours, ADF's success requires that every employee participate in the total quality assurance process. We therefore provide rigorous coaching (including a mentoring program for new recruits), and we promote staff awareness of the importance of ongoing communications and interrelationship between all departments. ADF's compliance with the most prestigious quality certifications is the tangible result.

Workforce Growth

(as at January 31)



Office, plant and drafting department employees (excluding construction site personnel)

An Efficient and Modern Production Infrastructure, Ready to Take on the Most Demanding Challenges

Lachine Plant, Canada

In 2000-2001, ADF increased its production capacity by 33% in terms of hours/persons following a $24.2 million investment aimed, among other things, at enhancing our leadership in the high-rise buildings sector. Hence, the third and fourth phases of a comprehensive expansion program initiated in 1997 were completed. All told, we have invested more than $30 million since 1997, notably tripling our Terrebonne industrial complex's area from 180,000 to 630,000 square feet.

Recent plant expansion in Terrebonne, Canada

In 2000-2001, we more than doubled the plant's floor space. At the end of phase III completed in the fall of 2000, a fourth fabrication bay of 80 by 800 feet, fitted out with cutting-edge equipment, was commissioned. Given the even stronger than expected growth in our backlog, we then decided to launch phase IV immediately, expanding the steel warehousing area considerably and adding new ultramodern machinery. We also undertook to upgrade our information technology platform to ensure full automation and integrated management of all of our operations.

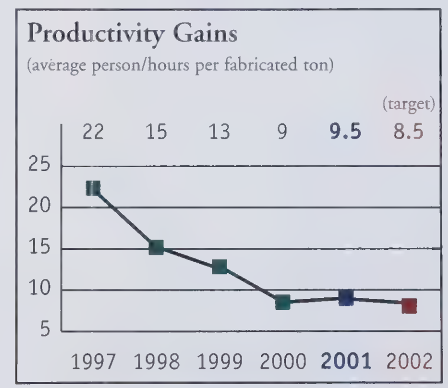
Florida Plant, United States

These various investments will enhance our capacity to take on increasingly large and sophisticated projects, while also maximizing our efficiency.

An Integrated Pool of High-Caliber Resources

Today the ADF Group pools exceptional capabilities and skills to handle the largest, most challenging projects. We have put together an efficient, integrated structure that includes:

- one of the most innovative engineering teams in North America;
- hundreds of qualified, dedicated employees;
- cutting-edge technologies, including 3D computer-aided design, automated fabrication, networking and powerful software;
- rigorous operational and quality control procedures that comply with the highest international standards;
- and the capacity to build trusses spanning over 130 metres.



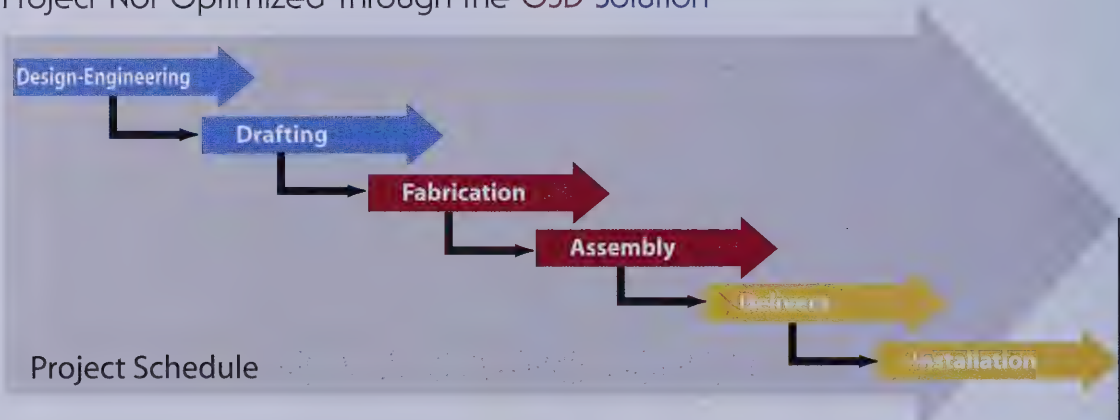
This is how we can provide customers with increasingly ingenious, rapid and cost-effective turnkey solutions. For instance, depending on the complexity of the work, we can process a ton of steel from 2.5 to 3 times faster today than we did in 1997, thereby raising our real production capacity.

Introducing a Unique Engineering Approach: the OSD Solution for Proactive Engineering

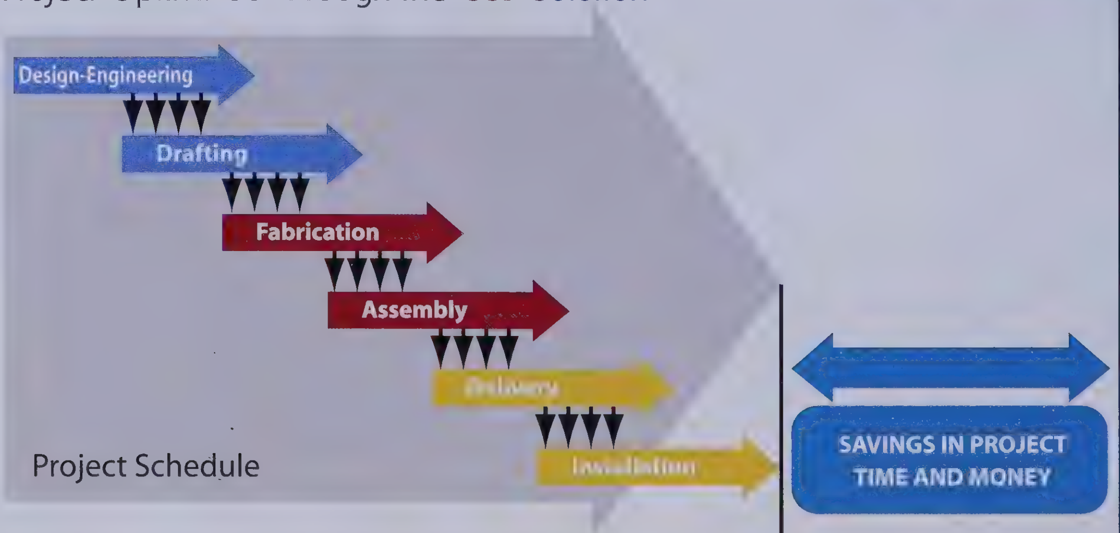
Conceived by ADF Group's engineering department and supported by the synergistic integration of the Company's numerous expertise, the OSD Solution is an engineering and design concept that is unique in the industry. Starting from an extensive analysis of the initial structural plans and every planned stage of a project – from design to installation – OSD can offer a complete review of the engineering and propose the optimal solution to execute the project. Proactive involvement by ADF's engineering team shortens the overall project schedule by proposing original, ingenious solutions to every stage of the project and making the project a series of fluid, integrated processes.

OPTIMAL STRUCTURAL DESIGN
OSD
SOLUTION

Project Not Optimized Through the OSD Solution



Project Optimized Through the OSD Solution

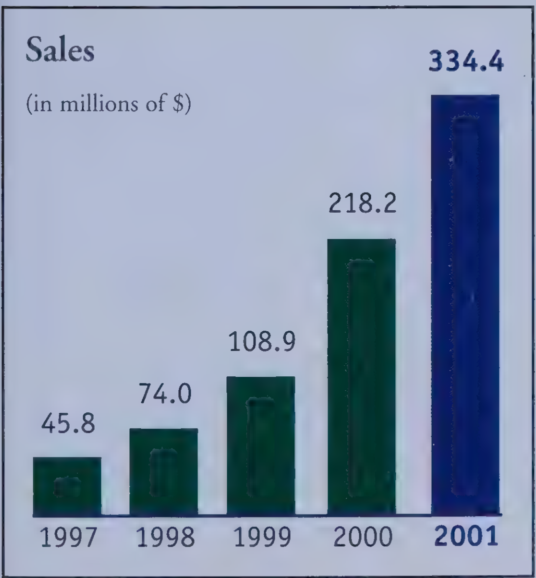


Management's Discussion and Analysis of Operating Results and Financial Position

In fiscal 2000-2001, ADF Group met or surpassed all of its financial objectives in terms of revenues, profitability and investments alike. Moreover, we better structured our balance sheet according to the rapid growth of our backlog and our development plans.

Operating Results

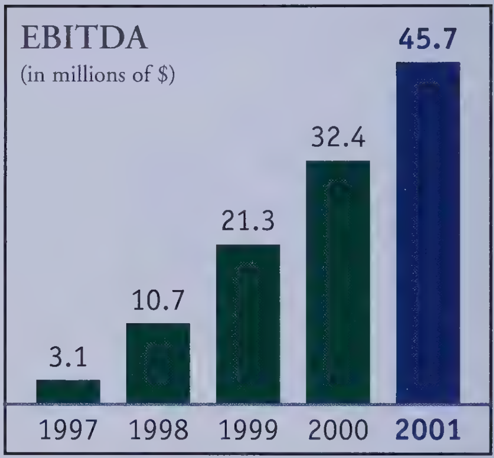
For the fiscal year ended January 31, 2001, the ADF Group's sales totalled \$334.4 million, up 53% over fiscal 2000, and over three times more than in fiscal 1999. We thereby exceeded by 11% the \$300 million sales objective disclosed to our shareholders at ADF's last Annual Meeting. Considering the excellent opportunities in our core markets and our determination to rapidly position the Company in certain high-potential niches, such as high-rise buildings in New York, we decided to concentrate our development efforts in North America. In fact, our sales rose 58% in the United States, which accounted for 78% of total revenues, compared with 75% for the previous fiscal year and 59% in 1999. In Canada, ADF also achieved solid sales growth of 44%.



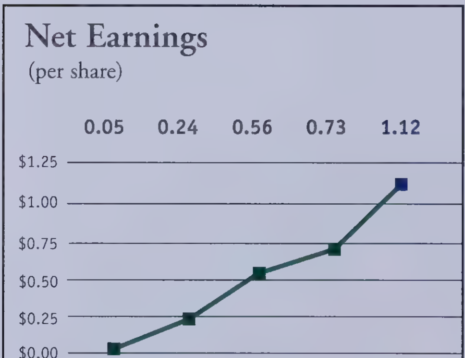
ADF generated a gross profit of \$60.4 million, up 37.5% over \$43.9 million in fiscal 2000. Hence, our gross profit margin stood at 18.1%, compared with 20.1% one year earlier. Besides the pressure exerted on our productivity by the year-long expansion work in Terrebonne and related non-recurring costs of close to \$4 million, the decline in the gross margin was also due to delays beyond our control in eight projects during the third quarter. Such delays translated into a revenue shortfall of over US\$40 million, more than half of which could not be recovered until fiscal 2001-2002.

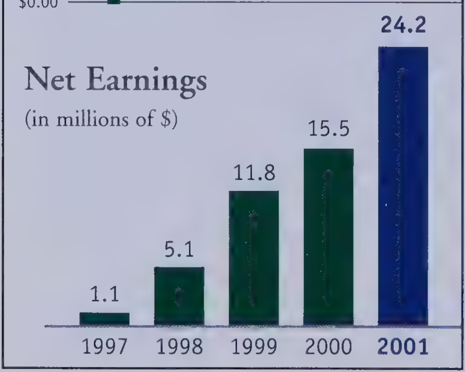
Our Lachine plant also sustained a temporary decrease in profitability, which was rectified in the fourth quarter following the implementation of new management orientations.

Earnings before depreciation, amortization, interest, income taxes and non-controlling interest ("EBITDA") amounted to $45.7 million, up 41% over $32.4 million in fiscal 2000. The EBITDA margin therefore stood at 13.7% compared with 14.9% the previous fiscal year. This slight decline can be attributed primarily to a lower gross margin, since we maintained tight control over selling and administrative expenses, which represented 4.4% of sales compared with 5.3% in 2000.



Depreciation and amortization of capital assets increased by $1.1 million or 32% due to the investments of over $30 million made over the past two fiscal years, including $24.2 million in 2000-2001. Total financial expenses grew by $2.6 million or 82%. Besides new long-term financing arrangements for the expansion of our industrial installations, we increased our bank credit facilities to support our strong business growth and alleviate the pressure exerted on our liquidities by the delays incurred in some projects during the second half of the year. On the other hand, we took advantage from a reduction in our average debt servicing cost following the refinancing of several loans at more favourable rates.





After depreciation, amortization and financial expenses, ADF posted earnings before income taxes and non-controlling interest of $35.4 million, compared with $25.8 million one year earlier, an increase of 37%. Our tax rate slightly decreased, from 38.5% in 2000 to 34.2% in 2001, ADF having taken advantage of tax benefits relating to the prior year losses of some subsidiaries which are now profitable.

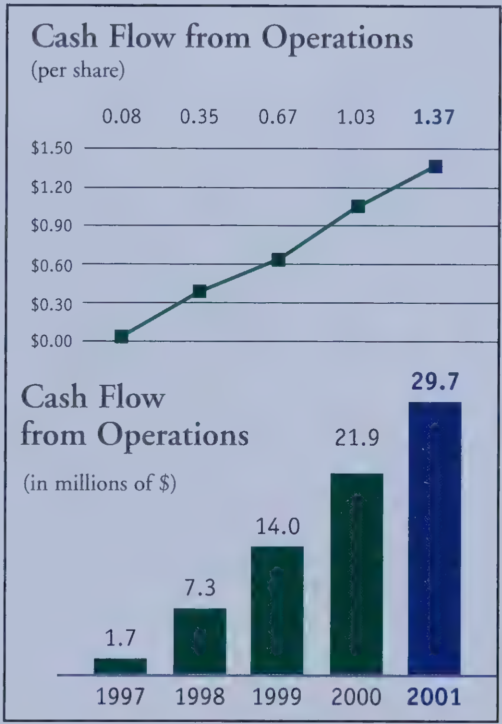
After accounting for income taxes and non-controlling interests' share in the results of subsidiaries, ADF ended the fiscal year with record net earnings of $24,215,000, up 57% over the net earnings of $15,455,000 achieved in 2000, and more than double the earnings for fiscal 1999.

Consistent with our objective, we posted a net profit margin similar to - and even slightly higher than - the previous year, at 7.2% versus 7.1% in 2000. ADF thereby delivered a substantial 21.4% return on average shareholders' equity.

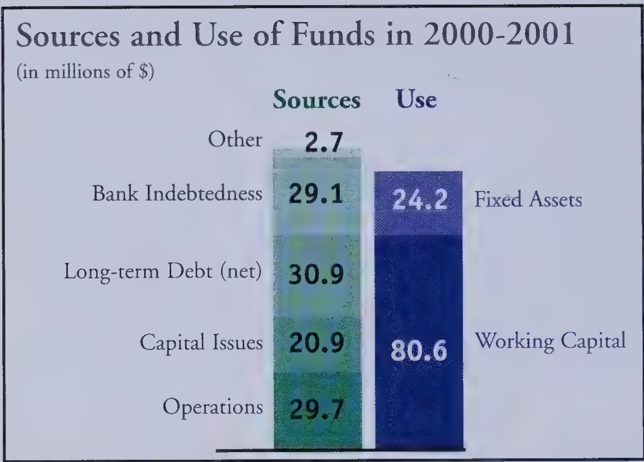
Earnings per share rose 53%, from $0.73 on a weighted average of 21,221,000 shares outstanding in 2000, to $1.12 ($1.11 fully diluted) on 21,669,000 shares in 2001. The dilution of earnings per share for fiscal 2001 is based on the assumption that the convertible debentures issued on December 28, 2000 would have been converted at that date.

Cash Flows

During the last fiscal year, cash flow from operations (before changes in non-cash working capital items) grew by 36% to total $29.7 million or $1.37 per share. Non-cash working capital items used funds of over $80 million due to the strong growth in our business and delays in some revenues as of the third quarter. Consequently, operating activities used net cash of $51 million. We increased our recourse to our credit facilities by $29.1 million in order to meet this funding requirement. In this regard, during the second quarter, we concluded an agreement with our banking syndicate to extend the line of credit made available to ADF to $55 million, including $20 million in the equivalent of U.S. dollars. In addition to its flexibility, this financial instrument provides the Company with a favourable interest rate.



Moreover, in December 2000, ADF obtained a $30 million financing from the Fonds de solidarité FTQ, consisting of a $15 million non-convertible debenture and a $15 million debenture convertible into subordinate voting shares. The proceeds from this financing were invested in ADF's working capital to cover its immediate needs and sustain its future growth.



The other major cash outlay for the year was the purchase of new capital assets for a total of $24.2 million. This amount was used primarily to expand the Terrebonne plant by 320,000 square feet, fitting it out with a new fabrication bay and increasing its steel storing area, to purchase cutting-edge equipment, to upgrade our information technology platform and to acquire a lot adjacent to the Terrebonne plant in order to facilitate our future expansion plans. These investments were financed mostly by long-term debt.

With regard to financing activities, besides the aforementioned items, ADF contracted $29.8 million in new long-term loans (excluding the Fonds' non-convertible debenture) and repaid $13.9 million in debt. In addition to financing the plant expansion, we refinanced more than $14 million in former long-term loans under more favourable conditions. We collected net proceeds of approximately $6 million on the issue of 554,545 subordinate voting shares as part of two private placements by investment funds, in September and October 2000. It should also be noted that concurrently to ADF's issue of debentures to the Fonds de solidarité FTQ, the latter was also granted warrants entitling it to acquire up to 450,000 subordinate voting shares at a price of $11.00 per share until December 21, 2005. None of these shares had been issued as at January 31, 2001.

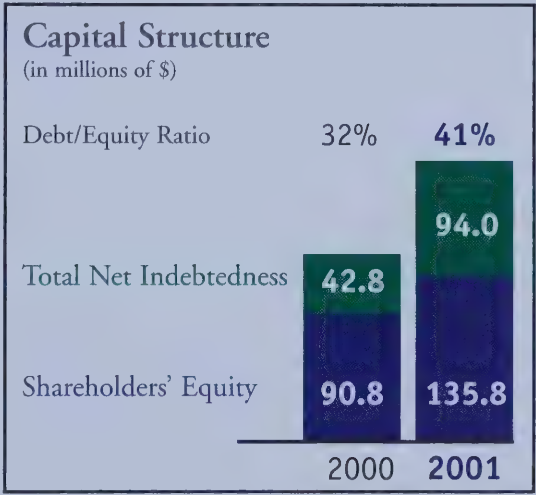
Among other transactions of the year, we collected proceeds of $210,000 on the disposal of capital assets and proceeds of $546,000 on the sale, to a partner, of part of our interest in a subsidiary heading Amcan Threaded Products Inc. and Amcan Fasteners Inc. The purpose of this transaction was to accelerate the development of these companies' external customer base, while enabling ADF to continue benefiting from a reliable supply of quality products. Finally, we collected close to $2 million on various assets, this amount being related primarily to the partial repayment of the $8.6 million advance made last year to our subcontracting partner in New York, which had been recorded as an investment.

The various cash inflows and outflows described above increased cash and cash equivalents by $8.6 million, from $2.1 million to $10.7 million.

Financial Position

In view of net earnings and the financing arranged in the past year, ADF closed the fiscal year with a solid balance sheet and greater financial flexibility to support its growth. As at January 31, 2001, working capital had almost doubled to $114.1 million, for a current ratio of 2:1. Total assets rose 72% to $298.8 million. On completion of our expansion program, the value of capital assets had risen from $42.4 million to $62.2 million.

Shareholders' equity grew by 50% to reach $135.8 million or $6.16 per share, under the combined effect of the year's net earnings and the injection of approximately $20 million in new capital, including $15 million in convertible debentures. Long-term debt amounted to $46.1 million as at January 31, 2001, compared with $19.2 million one year earlier. Adding the current portion of long-term debt plus bank indebtedness, net of available cash, total net indebtedness went from $42.8 million as at January 31, 2000, representing 32% of total invested capital, to $94 million as at January 31, 2001, or 41% of invested capital.



Event Subsequent to the End of Fiscal 2001

On April 11, 2001, ADF completed a $40 million financing arrangement with SGF Mineral Inc., a subsidiary of the Société générale de financement du Québec whose mission is to carry out business development projects in cooperation with partners. SGF Mineral subscribed for 4,700,000 subordinate voting shares of ADF Group at a price of $8.11 per share, as well as 500,000 options at a price of $3.76 per unit, entitling it to acquire 500,000 subordinate voting shares at a price of $11 per share between now and April 2006. In welcoming this important new shareholder, ADF is also teaming up with a business partner of choice, considering SGF's significant investment capacity, as well as a strategic ally active in 16 countries on four continents. While the proceeds from this financing will mostly support our growth within high-potential markets in North America, our association with this partner could also foster ADF's development worldwide.

Outlook, Requirements and Sources of Funds for Fiscal 2002

ADF expects to achieve internal sales growth of approximately 30% in 2001-2002, which will come primarily from the North American market. We had a backlog of $520 million in signed orders as at January 31, 2001, and we are currently at various negotiation stages for a total of $1 billion in additional contracts. Moreover, in the first half of the year, we will have recovered about half of the revenues of over US$40 million that should have been recorded during the last fiscal year, had it not been for delays caused by third parties.

We also intend to maintain high profitability. A series of factors will favour ADF's profits, including the completion of its expansion program in January 2001, the optimization of this investment, steady growth in its purchasing power and the use of its production capacity and, lastly, strict cost control throughout the Company.

We will repay approximately $6 million in long-term debt and expect to invest some $5 million in new capital assets in the normal course of business. ADF does not plan to pay any dividends in the near future, preferring to use its cash flow from operations to continue expanding its business. Among other things, we are on the lookout for acquisition opportunities in the United States. To cover its regular funding requirements and carry out its growth projects, ADF has available cash of $15 million following the SGF financing in April 2001, as well as unused credit facilities of approximately $12 million.

Gilbert B. Monette
Vice-President, Finance

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

April 2001

MANAGEMENT'S REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with accounting principles generally accepted in Canada and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, Samson Bélair Deloitte & Touche conduct an independent examination in accordance with auditing standards generally accepted in Canada, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Jean Paschini
Chairman of the Board and Chief Executive Officer

Gilbert B. Monette, c.a.
Vice-President, Finance

Terrebonne
April 11, 2001

AUDITORS' REPORT

To the Shareholders of
ADF Group Inc.

We have audited the consolidated balance sheets of ADF Group Inc. as at January 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair Deloitte & Touche.

Chartered Accountants
April 11, 2001

CONSOLIDATED STATEMENTS OF INCOME

(in thousands of dollars except per share amounts)

years ended January 31,	2001	2000
	$	$
Sales	334,385	218,203
Cost of goods sold	273,997	174,279
Gross profit	60,388	43,924
Selling and administrative expenses	14,665	11,514
Income before the undernoted expenses	45,723	32,410
Amortization of capital assets	4,399	3,343
Income before interest, income taxes and non-controlling interest	41,324	29,067
Interest, net		
Interest on long-term debt	2,053	1,548
Other interest	3,824	1,687
	5,877	3,235
Income before income taxes and non-controlling interest	35,447	25,832
Income taxes (Note 13)		
Current	10,218	7,770
Future	1,921	2,188
	12,139	9,958
Income before non-controlling interest	23,308	15,874
Share of loss (income) of non-controlling interest	907	(419)
Net income	24,215	15,455
Income per share (Note 15)	1.12	0.73
Diluted income per share (Note 15)	1.11	-

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)

years ended January 31,	2001	2000
	$	$
Retained earnings, beginning of year	19,419	23,408
Net income	24,215	15 455
Share issue costs net of income taxes of $9 ($1,330 in 2000)	(13)	(2,100)
Convertible debentures issue costs, net of income taxes of $19	(31)	-
Interest on convertible debentures, net of income taxes of $53 (2000 - $220) (Note 10)	(86)	(344)
Dividend (Note 9)	-	(17,000)
Retained earnings, end of year	43,504	19,419

CONSOLIDATED BALANCE SHEETS (in thousands of dollars)

as at January 31,	2001	2000
	$	$
Assets		
Current assets		
Cash	10,689	2,132
Accounts receivable (Note 4)	122,664	63,433
Contracts in progress	74,193	44,537
Inventories	19,718	10,780
Prepaid expenses	938	239
	228,202	121,121
Future income taxes	465	-
Capital assets (Note 5)	62,225	42,426
Other assets (Note 6)	7,907	10,392
	298,799	173,939
Liabilities		
Current liabilities		
Bank indebtedness (Note 7)	52,729	24,098
Accounts payable and accrued charges	37,378	22,628
Billings in excess of costs and recognized income on uncompleted contracts	10,053	6,723
Income taxes payable	2,942	1,208
Future income taxes	5,151	2,368
Current portion of long-term debt (Note 8)	5,867	1,634
	114,120	58,659
Long-term debt (Note 8)	46,083	19,208
Future income taxes	-	479
Non-controlling interest	2,781	4,838
	162,984	83,184
Contingencies (Note 12)		
Shareholders' equity		
Share capital (Note 9)	77,311	71,336
Convertible debentures (Note 10)	15,000	-
Retained earnings	43,504	19,419
	135,815	90,755
	298,799	173,939

Approved by the Board

Jean Paschini
Director

Marise Paschini
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of dollars)

years ended January 31,	2001	2000
	$	$
Operating activities		
Net income	24,215	15,455
Adjustments for:		
Amortization of capital assets	4,399	3,343
Amortization of other assets	503	357
Gain on disposal of investment	(236)	-
Gain on disposal of capital assets	(202)	-
Future income taxes	1,921	2,188
Non-controlling interest	(907)	419
	29,693	21,762
Changes in non-cash operating working capital items		
Accounts receivable	(60,128)	(23,502)
Contracts in progress	(29,656)	(16,467)
Inventories	(11,310)	(5,092)
Prepaid expenses	(707)	340
Accounts payable and accrued charges	15,775	6,117
Billings in excess of costs and recognized income on uncompleted contracts	3,330	6,723
Income taxes payable	1,846	(2,135)
Other	208	479
	(80,642)	(33,537)
	(50,949)	(11,775)
Investing activities		
Acquisition of capital assets	(24,192)	(7,563)
Proceeds from sale of investment (Note 3)	546	-
Proceeds from disposal of capital assets	210	-
Decrease (increase) in other assets	1,971	(8,555)
	(21,465)	(16,118)
Financing activities		
Increase in bank indebtedness	29,138	1,015
Issuance of shares	5,953	30,070
Issuance of convertible debentures	14,950	-
Issuance of long-term debt	44,849	2,669
Reimbursement of long-term debt	(13,919)	(4,975)
Non-controlling interests	-	(38)
	80,971	28,741
Net cash inflow	8,557	848
Cash and cash equivalents, beginning of year	2,132	1,284
Cash and cash equivalents, end of year	10,689	2,132
Supplement cash flow information		
Income taxes paid	8,484	9,905
Interest paid	5,566	3,971
Non-cash financing and investing activities		
Assumption of obligation and acquisition of assets under capital lease	170	246

(all tabular figures are expressed in thousands of dollars)

1. Description of business

The Company is incorporated under the Canada Business Corporations Act. The Company and its subsidiaries design, engineer, manufacture and erect structural steel structures and are involved in the supply of related services and materials.

2. Accounting policies

The Company follows Canadian generally accepted accounting principles. The most significant accounting policies are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Interest in joint ventures are accounted for using proportionate consolidation. All material intercompany transactions have been eliminated. At January 31, 2001, the Company held the following interests in subsidiaries and joint ventures:

ADF International Inc.	100 %	
Au Dragon Forgé Inc.	100 %	
ADF Industrial Steel Inc.	100 %	
ADF China Inc.	85 %	
Gestion Jet de Sable Inc.	75.5 %	
ADF Steel Corp.	60 %	
ADF Steel Corp. (Canada)	60 %	
Location d'Équipement International Inc.	60 %	
Montage d'Acier International Inc.	60 %	
ADF Heavy Industries Inc.	51 %	
3792480 Canada Inc.	50 %	(see note 3a)
Amcan Fasteners Inc.	80 %	(see note 3a)
Amcan Produits Filetés Inc.	80 %	(see note 3a)
Outillage Technologique Industriel (O.T.I.) Inc.	51 %	
Tecnogaz Québec Inc.	51 %	

The investment in 3792480 Canada Inc. is accounted for using the proportionate consolidation method beginning August 1, 2000.

Revenue and cost recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenue and costs from construction projects using the percentage-of-completion method. Under this method, revenue is recognized based on results achieved using the cost ratio method. Costs include all direct material and labour costs related to contract performance, subcontractor costs, indirect labour costs, and manufacturing plant overhead costs, which are charged to contract costs as incurred. Revenue relating to changes in scope of a contract is recognized when the customer has authorized the change, the work has commenced and the Company has made an estimate of the cost for the change. Revisions of estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revisions become known. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reasonably estimated. Provisions for estimated losses on uncompleted contracts are made in the period a loss becomes determinable.

Construction contracts with customers generally provide that billings are to be made periodically in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Holdbacks on contract receivables are amounts due on progress billings which are withheld until the customer has accepted the completed project.

Contracts in progress represent revenue earned under the percentage-of-completion method which has not been billed and also include costs incurred in excess of billings on contracts for which sufficient work has not been performed to allow for the recognition of revenue. Billings in excess of costs and recognized income on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage-of-completion method on those contracts.

Inventories

Inventories are valued at lower of cost and net realizable value. Cost is determined using the average cost method.

2. Accounting policies (continued)

Capital assets and amortization
Capital assets are recorded at cost. Amortization is recorded at rates which allocate the cost of depreciable assets over their estimated useful lives, as follows:

- Buildings and land improvements, using the straight-line method over a period of 40 years or the declining balance method at rates varying from 5% to 20%;
- Machinery and travelling cranes, using the straight-line method over periods varying from 10 to 25 years;
- Office furniture, rolling stock, computer hardware and software, using the straight-line method over a period of 5 years or the declining balance method at rates varying from 20% to 30%.

Deferred financing fees
Financing fees are deferred and amortized over the life of the related financing agreements. Amortization of these charges is included with other interest.

Deferred pre-production costs
Certain costs related to the start-up of new facilities and incurred prior to commencement of commercial operations are deferred and amortized over three years using the straight-line method.

Goodwill
Goodwill represents the excess of purchase price over the fair value of net assets of businesses acquired and is being amortized on a straight-line basis over a period of 3 to 5 years.

Income taxes
On February 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants in accounting for income taxes. The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted income tax rates for the years in which the differences are expected to reverse.

The new recommendations have been applied retroactively without restatement of prior year figures. The change had no impact on opening retained earnings.

Translation of foreign currencies
The accounts of the Company and its integrated foreign subsidiaries stated in foreign currencies have been translated into Canadian dollars as follows:

- Monetary assets and liabilities, using the exchange rate prevailing at the balance sheet date;
- Non-monetary assets and liabilities, using the exchange rate prevailing at the date of transaction;
- Revenue and expenses, using average monthly exchange rates during the year, except for amortization, which is translated at the exchange rate prevailing at the date the related assets were acquired.

Unrealized exchange gains and losses on assets and liabilities denominated in a foreign currency are included in net income, except for long-term monetary assets and liabilities, which are deferred and amortized under the straight-line method over the remaining life of the related asset or liability.

Measurement uncertainty
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Valuation of contracts in progress requires management to estimate the percentage of completion, cost of completion and anticipated gross margin. Measurement uncertainty exists in relation to the valuation of contracts in progress, related expenses and accounts receivable.

(all tabular figures are expressed in thousands of dollars)

3. Divestiture and business acquisitions

a) On July 31, 2000 the Company entered into a transaction whereby it transferred, at carrying value, its 51% ownership interest in Amcan Threaded Products Inc. and Amcan Fasteners Inc. to 3792480 Canada Inc., a newly created wholly owned subsidiary. Concurrently, the non-controlling shareholder of Amcan Threaded Products Inc. and Amcan Fasteners Inc. sold a portion of its interest to 3792480 Canada Inc. for a cash consideration of $1,450,000. As a result, 3792480 Canada Inc. owned 80% of Amcan Threaded Products Inc. and Amcan Fasteners Inc. 3792480 Canada Inc. issued 1,450,000 new shares to a third party, for a cash consideration of $1,450,000 and the Company sold 425,850 shares of 3792480 Canada Inc. to this third party for a cash consideration of $546,000, thereby reducing the Company's interest in 3792480 Canada Inc. to 50%.

The investment in 3792480 Canada Inc. is accounted for using the proportionate consolidation method beginning August 1, 2000.

The Company's share of joint venture operations included in the consolidated financial statements is summarized below:

	January 31 2001	July 31 2000
	$	$
Share of assets and liabilities		
Working capital (including bank indebtedness of $484 at January 31, 2001 and $314 at July 31, 2000)	1,898	1,328
Capital assets	194	153
Other assets	226	16
Long-term debt	(627)	(2)
Future income taxes	(7)	(5)
Non-controlling interest	(322)	-
Net assets	1,362	1,490
Share in earnings		
Sales	4,212	
Expenses	4,104	
Net earnings	54	
Share in cash provided by (used in)		
Operating activities	2,816	
Investing activities	(2,198)	
Financing activities	4,046	

b) On October 30, 1999, the Company increased its interest in Gestion Jet de Sable Inc. from 51% to 75.5% for a cash consideration of $1. The acquisition, which was accounted for using the purchase method, resulted in no additional goodwill.

4. Accounts receivable

	2001	2000
	$	$
Contracts receivable	92,136	46,556
Holdback on contracts	20,507	10,201
Allowance for doubtful accounts	(448)	(847)
	112,195	55,910
Commodity taxes and miscellaneous receivables	10,435	7,067
Advances to affiliated companies, non-interest bearing	34	456
	122,664	63,433

(all tabular figures are expressed in thousands of dollars)

5. Capital assets

	2001 Cost	2001 Accumulated Amortization	2001 Net Book Value
	$	$	$
Land	1,016	-	1,016
Buildings and land improvements	38,655	3,420	35,235
Machinery and travelling cranes	28,060	7,115	20,945
Office furniture, rolling stock, computer hardware and software	8,663	3,634	5,029
	76,394	14,169	62,225

	2000 Cost	2000 Accumulated Amortization	2000 Net Book Value
	$	$	$
Land	753	-	753
Buildings and land improvements	23,895	2,513	21,382
Machinery and travelling cranes	21,930	4,775	17,155
Office furniture, rolling stock, computer hardware and software	5,740	2,604	3,136
	52,318	9,892	42,426

6. Other assets

	2001	2000
	$	$
Note receivable from a sub-contractor (1)	6,052	8,667
Deferred pre-production costs, at amortized cost	122	311
Long-term debt repayment fund	494	338
Deferred financing fees, at amortized cost	763	139
Goodwill	256	178
Deferred foreign exchange loss, less amortization	-	17
Other	220	742
	7,907	10,392

(1) The note receivable from a sub-contractor is secured by a moveable hypothec on machinery and equipment, bears interest at the Company's average borrowing cost and is payable over a maximum of five years.

7. Bank indebtedness

	2001	2000
	$	$
Bank loans		
Canadian loan	33,203	15,968
United States loan (US$13,027 as at January 31, 2001; 2000 - US$5,628)	19,526	8,130
	52,729	24,098

In June 2000, the Company entered into an operating credit facility whereby the Company can borrow up to $55,000,000 (including a minimum of $10,000,000 available in US$ equivalent). The facility bears interest at Canadian Prime Rate, US Prime Rate, Bankers' Acceptance rate or LIBOR plus a margin ranging from 0.1% to 1.75%. As at January 31, 2001, the average interest rate on the Canadian dollar loan was 7.64% and 8.69% on the US dollar loan.

The facility is secured by a first rank hypothec on certain assets of the Company and by work-in-progress, accounts receivable and inventory. The facility is renewable annually.

(all tabular figures are expressed in thousands of dollars)

8. Long term debt

	2001	2000
	$	$
Bank loan, secured pari passu by a first rank hypothec on the universality of moveable and immoveable property, present and future, of the Company, interest at lender's base rate less 1.5%, repayable in monthly instalments of $150,000 in capital, beginning in September 2000, followed by 125 monthly instalments of $100,000 in capital starting in November 2004, maturing in March 2015	19,250	-
Debentures, unsecured, interest at 10%, interest payable quarterly beginning February 2002, when all accrued interest will be payable, repayable on December 28, 2005 or earlier, at the option of the Company	15,000	-
Bank loan, secured pari passu by a first rank hypothec on the universality of moveable and immoveable property, present and future, of the Company, bearing interest at lender's base rate, repayable in August 2005	9,974	-
Loan, secured by a moveable hypothec on machinery and equipment of a subsidiary, at an interest rate of 5% up to November 30, 2000 and 10% subsequently, maturing in November 2002	5,501	4,713
Bank loan, secured by a moveable hypothec on machinery, at an interest rate of 6.76%, repayable into an amortization fund, maturing in September 2001	1,400	1,400
Bank loan, secured by a first rank hypothec on accounts receivable, equipment, inventory and general intangible assets, bearing interest at US prime rate plus 0.5%, repayable in monthly instalments of $7,928 (US$5,290) capital and interest, maturing in January 2006	375	-
Due to shareholders, non-interest bearing and without specific terms of repayment	135	186
Obligations under capital leases, bearing interest from 7.42% to 8.20%, maturing from December 2001 to September 2002	274	372
Bank loans, secured by hypothecs on immoveable properties and by a moveable hypothec on machinery and equipment of a subsidiary company at a variable interest rate averaging 7%, repaid during the year	-	4,410
Bank loan (2000 -US$875,000), secured by mortgages on real estate properties and by a security interest in receivables, inventories, machinery and all present and future personal property of a subsidiary, at an interest rate of 0.5% over prime bank rate, repaid during the year	-	1,265
Bank loans, secured by a hypothec on immoveable property and by moveable hypothecs on machinery and equipment, at a variable interest rate averaging 7.2%, repaid during the year	-	3,460
Bank loan, secured by a second rank mortgage on a building, at an interest rate of lender's base rate less 1.5%, repayable in monthly instalments of $30,000, repaid during the year	-	4,019
Bank loans, secured by first rank mortgages on machinery and equipment, at interest rate of prime bank rate plus 1.5%, repaid during the year	-	962
Other	41	55
	51,950	20,842
Current portion	5,867	1,634
	46,083	19,208

(all tabular figures are expressed in thousands of dollars)

8. Long-term debt (continued)

Long-term debt matures as follows:

	Obligations under capital leases			Other debt	Total
	Minimum payments	Interest	Principal	Principal	Principal repayment required
	$	$	$	$	$
2002	116	25	91	5,776	5,867
2003	86	13	73	4,883	4,956
2004	42	11	31	1,886	1,917
2005	42	8	34	1,732	1,766
2006	45	-	45	26,264	26,309
2007 and thereafter	-	-	-	11,135	11,135
	331	57	274	51,676	51,950

9. Share capital

Authorized

An unlimited number of subordinate voting shares

An unlimited number of multiple voting shares

An unlimited number of preferred shares issuable in series

Changes in share capital during the year were as follows:

	Common shares		Subordinate voting shares		Multiple voting shares		Preferred shares	
	Number of shares	$	Number of shares	$	Number of shares	$	Number of shares	$
Balance at January, 31 1999	1,512	1	-	-	-	-	300	1
Converted to multiple voting shares (a)	(1,512)	(1)	-	-	12,343,107	1	-	-
Redemption (a)	-	-	-	-	-	-	(300)	(1)
Stock dividend and conversion (a)	-	-	125,000	1,000	2,000,000	16,000	-	-
Conversion of convertible debentures (c)	-	-	2,850,293	20,835	-	-	-	-
Issued (b)	-	-	4,187,500	33,500	-	-	-	-
Balance at January 31, 2000	-	-	7,162,793	55,335	14,343,107	16,001	-	-
Issued (d) (e)	-	-	554,545	5,975	-	-	-	-
Balance at January 31, 2001	-	-	7,717,338	61,310	14,343,107	16,001	-	-

a) On July 7, 1999, the Company modified its capital structure by creating an unlimited number of subordinate voting shares, an unlimited number of multiple voting shares and an unlimited number of preferred shares, issuable in series. The subordinate voting shares and multiple voting shares are identical in all respects except that the multiple voting shares carry ten votes per share and are convertible at any time into subordinate voting shares on a one-for-one basis. The outstanding common shares at January 31, 1999 were converted into 12,343,107 multiple voting shares. The outstanding Class "E", "F", and "G" preferred shares as at January 31, 1999, were redeemed on June 27, 1999, for a cash consideration of $300. On July, 7 1999, the Company declared a dividend of $17,000,000 payable in the form of preferred shares, Series 1, which were then converted into 125,000 subordinate voting shares and 2,000,000 multiple voting shares of the Company.

b) On July 7, 1999, the Company issued, through a public offering, 3,625,000 subordinate voting shares for proceeds of $25,840,000, net of issue costs of $3,160,000. On August 4, 1999, the Company issued 562,500 subordinate voting shares for proceeds of $4,230,000, net of issue costs of $270,000.

c) Concurrent with issuance of shares referred to above, on July 21, 1999, convertible debentures together with accrued interest thereon amounting to $20,834,630, were converted into 2,850,293 subordinate voting shares.

(all tabular figures are expressed in thousands of dollars)

9. Share capital (continued)

d) On September 8, 2000, the Company issued, through a private offering, 100,000 subordinate voting shares for proceeds of $965,250, net of issue costs of $9,750.

e) On October 24, 2000, the Company issued, through a private offering, 454,545 subordinate voting shares for proceeds of $5,000,000. No cost was incurred with respect to this issue.

Warrants

Concurrent with the issuance of the convertible debentures in December 2000 (Note 10), the Company issued to the lender 450,000 warrants which allow the purchase, up to December 2005, of 450,000 subordinate voting shares of the Company at a price of $11 per subordinate voting share. 300,000 warrants are exercisable at any time, while 150,000 warrants are exercisable in the event the Company is in default of the covenants attached to the convertible debentures and the debentures.

Stock option plan

The Company has a stock option plan for which 2,094,340 subordinate voting shares have been reserved for issuance. The plan requires that the exercise price under the options granted must not be less than the market value of a share at the date of grant of the option. As at January 31, 2001, no options have been granted under the plan.

10. Convertible debentures

The convertible debentures bear interest at 10%, are unsecured and interest is payable quarterly beginning on February 1, 2002, when all the cumulative interest to date will be paid. The capital of the convertible debentures is repayable on December 28, 2005 or earlier, at the Company's option. The convertible debentures are convertible at any time and at the option of the Company into subordinate voting shares of the Company. The debentures are convertible into subordinated voting shares at a ratio based on the value of the Company's subordinated voting shares on the market on the day preceding the conversion.

11. Commitments

The Company is committed until October 2006, under lease agreements to rent office space and equipment for an amount of $1,599,000. The minimum amounts payable over the next five years are as follows:

	$
2002	536
2003	477
2004	366
2005	182
2006	38

12. Contingencies

a) Litigation

In 1999, a subsidiary of the Company undertook litigation against a third party to recover unpaid labour, material supplied and unpaid additional costs for a total amount of approximately $23,513,000 (US$16,277,800). An amount of $3,940,000 was recorded in the 1999 financial statements with respect to this claim. In December 2000, a judgment was rendered in favour of the Company, which was awarded US$9,983,000 plus interest. The defendant has filed an appeal of the original judgment. At March 31, 2001, an amount of US$11,343,000 was being held in escrow to satisfy the payment of the awarded amount, pending resolution of the appeal. In addition, in April 2001, the Company was awarded an additional amount of US$1,071,000 to cover legal costs incurred. Mediation is scheduled to take place in May 2001.

In December 1998, a claim of $1,846,000 was filed against a subsidiary of the Company for alleged breach of contract. The subsidiary had also filed a counterclaim in the amount of $350,000. In June 2000, a judgment was rendered dismissing the claim against the subsidiary. The case is currently being appealed.

A subsidiary of the Company has received a notice of assessment from a municipality for unpaid taxes for an amount of approximately $802,000 plus interest. Management intends to vigorously defend this claim. It is premature at this time to determine the outcome of this matter which should not have a significant impact on the financial statements of the Company.

(all tabular figures are expressed in thousands of dollars)

12. Contingencies (continued)

a) Litigation (continued)

In the normal course of its operations, the Company becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceeding pending at January 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Company's financial position or results of operations.

b) Bonding agreements

In the normal course of business, the Company may be required by clients, from time to time, to provide performance bonds and/or payment bonds, in respect of certain contracts, which guarantee payment for labour, material and services in the event of default by the Company. In order to provide such bonds, certain subsidiaries of the Company have entered into general indemnity agreements with a bonding company. To guarantee the obligations of the Company's subsidiaries thereunder, these subsidiaries have granted to the bonding company moveable hypothecs on certain assets such as rights, titles, licences, equipment, work in process and royalties.

13. Income taxes

The provision for income taxes is comprised of the following:

	2001	2000
	$	$
Provision using basic income tax rates	14,216	9,594
Increase (decrease) resulting from:		
Manufacturing and processing credit	(1,448)	(1,284)
Others	(629)	1,648
	12,139	9,958

As at January 31, 2001, the future income tax assets and liabilities were as follows:

	$
Future income tax assets	
Tax loss carry forwards	3,503
Deferred charges	650
Holdbacks payable	154
Other	17
	4,324
Future income tax liabilities	
Capital assets	3,538
Holdbacks receivable	5,305
Other	167
	9,010
Future income tax liabilities - net	4,686
Included in:	
Future income tax assets - non-current	465
Future income tax liabilities - current	5,151

14. Related party transactions

In the normal course of business, certain transactions were concluded with shareholders' companies and other affiliated companies related to shareholders. These transactions are measured at the exchange amount, which approximates market value, and are summarized below:

	2001	2000
	$	$
Sales	37	204
Purchases, subcontracts and related contract costs	299	-
Interest on due to affiliated companies	60	11
Rent	191	76

(all tabular figures are expressed in thousands of dollars)

15. Income per share

Income per share was calculated using the treasury stock method, based on an average of 21,668,914 shares outstanding during the year (2000 - 21,220,797).

Diluted income per share was calculated as if the convertible debentures had been converted on December 28, 2000 (date of issuance). The average number of shares outstanding for the year would have been 21,826,486.

Warrants to purchase 450,000 subordinate voting shares at $11 per share were outstanding during January 2001 but were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the subordinate voting shares.

16. Financial instruments

Credit risk

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses. For other amounts receivable, the Company determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Concentration of credit risk with respect to receivables is limited as the Company's customers tend to be large general contractors servicing adequately funded projects. The Company also retains certain lien rights.

Currency risk

The Company realizes approximately 78% of its sales in foreign currency and does not enter into foreign exchange contracts to manage its foreign exchange risk.

Interest rate risk

The long-term debt bears fixed interest rates for 43% of the outstanding loans. Consequently, the Company's exposure to interest rate risk is moderate.

Fair values

The fair values of accounts receivable, bank indebtedness and accounts payable and accrued charges correspond approximately to their carrying amounts because of their short-term maturity dates.

The fair values of the components of long-term debt are determined by discounting future cash flows in accordance with existing financing agreements, based on the market interest rates offered to the Company for loans with similar terms and conditions and maturity dates. The Company's estimated fair values of long-term debt and convertible debentures are as follows:

	2001		2000	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Convertible debentures	15,000	15,000	-	-
Long-term debt	51,950	51,738	20,842	21,076

17. Segment reporting

The Company operates principally in Canada and the United States in two business segments: Manufacturing and erection of structural steel elements and structures and supply of services and materials. The Company designs, engineers and manufactures structural steel for the non-residential construction industry and provides erection services ("Structural steel"). The Company is also involved in the distribution of industrial gas, welding and safety equipment, bolt products and metal fasteners, the provision of metal surface treatment services and the rental of heavy construction equipment ("Supply and services"). The Company reviews the performance of each segment based on the net income of each segment, adjusted for specific items arising from the consolidation process. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Inter-segment revenues are recorded at market prices. Revenues and assets are attributed to geographic areas based on the location of the customer.

(all tabular figures are expressed in thousands of dollars)

17. Segment reporting (continued)

	2001			
	Structural steel	Supply and services	Other (1)	Total
	$	$	$	$
Sales from external customers	317,281	16,088	1,016	334,385
Inter-segment sales	2,202	11,880	10,377	24,459
Interest expense	5,676	201	-	5,877
Amortization of capital assets	3,812	562	25	4,399
Income taxes	11,681	423	35	12,139
Share of loss (income) of non-controlling interest	1,237	(330)	-	907
Net income	23,715	427	73	24,215
Capital assets	55,949	5,701	575	62,225
Acquisition of capital assets	23,232	960	-	24,192

(1) Includes corporate activities.

	2000			
	Structural steel	Supply and services	Other (1)	Total
	$	$	$	$
Sales from external customers	202,903	13,316	1,984	218,203
Inter-segment sales	281	11,559	4,620	16,460
Interest expense	2,880	313	42	3,235
Amortization of capital assets	2,860	456	27	3,343
Income taxes	9,307	558	93	9,958
Share of income of non-controlling interest	(165)	(254)	-	(419)
Net income	15,176	109	170	15,455
Capital assets	36,294	5,532	600	42,426
Acquisition of capital assets	6,708	1,095	6	7,809

(1) Includes corporate activities.

Information concerning principal geographic areas is as follows:

	2001		2000	
	Revenues	Capital assets	Revenues	Capital assets
	$	$	$	$
Canada	73,584	58,922	50,932	39,068
United States	260,801	3,303	164,602	3,358
Other foreign countries	-	-	2,669	-
	334,385	62,225	218,203	42,426

18. Subsequent event

On April 11, 2001, the Company issued 4,700,000 subordinate voting shares to Société générale de financement for cash proceeds of $37,879,000, net of estimated issuance costs of $238,000. In addition, the Company has issued to Société générale de financement 500,000 options, maturing in 2006, to acquire 500,000 subordinate voting shares of the Company at $11 per share, for cash proceeds of $1,868,000, net of estimated issuance costs of $12,000.

19. Comparative figures

Certain figures for the preceding year have been reclassified in order to conform to the presentation adopted in the current year.

Members of the Board of Directors

(as at April 30, 2001)

Jean Paschini (2)
Chairman of the Board and Chief Executive Officer
ADF Group Inc.

Pierre Paschini, P. E.
President and Chief Operating Officer
ADF Group Inc.

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary
ADF Group Inc.

Marc Belcourt, P. E. (2)
Consultant, Construction

Ronald A. Black (1)(2)
Chief Operating Officer, Corporate Secretary and Treasurer
American Iron & Metal Co.

Marc Filion (1)(2)
President and Chief Operating Officer
SGF Mineral Inc.

Denis Labrecque (1)
Group Vice-President, Turnaround Management and Special Projects
Fonds de solidarité FTQ

Jacques Landreville (2)
President and Chief Executive Officer
Uni-Select Inc.

(1) Audit Committee Member
(2) Corporate Governance and Human Resources Committee Member

To uphold the quality of its strategic planning and management practices, in the interests of its shareholders, the ADF Group has established a eight-member Board of Directors, four of whom are unrelated to the Company, selected for the operational and strategic know-how they bring to ADF. In addition, the Board has set up an Audit Committee and a Corporate Governance and Human Resources Committee comprised of unrelated directors. These committees see to the proper conduct and compliance of the Company's practices in regard to, among other things, its business risk management and its financial reporting and disclosure. The ADF Group maintains ongoing, transparent communications with its shareholders, the investment community and the financial media.

Officers

(as at April 30, 2001)

Jean Paschini
Chairman of the Board and Chief Executive Officer

Pierre Paschini, P. E.
President and Chief Operating Officer

Marise Paschini
Executive Vice-President, Treasurer and Corporate Secretary

Yves Cloutier
Vice-President, Project Valuation

Richard Côté, P. E.
Vice-President, Project Management

Alain Desrosiers, M.B.A.
Vice-President, Cash Flow Management

Carolyn Hanson, M. Eng.
Vice-President, Engineering

Gilbert B. Monette, c.a.
Vice-President, Finance

Daniel Rozon
Vice-President, Procurement

Yvan Vandermale
Vice-President, Production

Joaquim Vaz
Vice-President, Construction

ADF has put together a high-calibre management team capable of handling every aspect and phase of a project in synergy and with efficiency. The pooling of their respective skills, their daily interaction and the motivation they instill in their teams enable ADF to provide customers with cutting-edge solutions and accelerate the critical path of projects, while respecting the highest standards of quality.

Corporate Information

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Business Development Bank of Canada

Transfer Agent and Trustee
The Computershare Trust Company of Canada

Auditors
Samson Bélair/Deloitte & Touche

Legal Counsel
Fasken Martineau DuMoulin

Financial Communications
Lefebvre Financial Communications Inc.

The Annual General and Special Meeting of Shareholders of ADF Group Inc.
will be held on June 14, 2001 at 11:00 a.m.
Hotel Omni Mont-Royal, Saisons A Room,
1050 Sherbrooke Street West,
Montreal, Quebec.

The Annual Information Form of ADF Group Inc.
for the fiscal year ended January 31, 2001
will be available at the Company's head office
as of June 14, 2001.

ADF Group Inc. wishes to maintain ongoing, transparent communications with its shareholders and members of the financial community. To ensure you receive all the information distributed by the Company on a regular basis, you are invited to add your name to our mailing list by sending your request to the attention of:

Kathleen Ryffranck
Public Relations Coordination
ADF Group Inc.
300 Henry-Bessemer
Terrebonne, Quebec J6Y 1T3
Tel.: (450) 965-1911, ext. 2283
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or to the attention of our trustee:

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